



## Press Clipping Article

**Title:** Tobacco proposal stirs debate

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**Lead:**

Kentucky smokers could pay another 5 to 15 cents a pack under an administration proposal to get more money than state government currently receives from tobacco companies, Gov. Ernie Fletcher's chief of staff said yesterday.

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Kentucky smokers could pay another 5 to 15 cents a pack under an administration proposal to get more money than state government currently receives from tobacco companies, Gov. Ernie Fletcher's chief of staff said yesterday.

Under the proposal, the state would recoup the \$4 per carton that Kentucky smokers pay into the 1998 national tobacco settlement. But since cigarette companies that are part of the national agreement would still have to pay into the settlement fund, they could be expected to raise prices by as much as 15 cents per pack, chief of staff Stan Cave told the Senate budget committee.

Opponents of the proposal say cigarette companies that are party to the settlement would likely raise prices by the full \$4 per carton, which would be 40 cents per pack.

The Fletcher administration's proposal to get more money for the state could bring \$150 million beyond what the state gets back under the Master Settlement Agreement, Cave said.

Because Kentucky gets back only about half of the roughly \$4 per carton that goes into the settlement, and states like New York and California get more than the \$4 back, "Kentucky is subsidizing the budgets of other states, and I just don't think that's fair," Cave said.

Frankfort resident Denise Tate, a 38-year-old smoker, said she wouldn't mind an increase in the cost of cigarettes that could give more money to state government. She said she believes companies will increase prices anyway.

"I wouldn't mind it because I plan in the future to try to stop," she said.

The Master Settlement Agreement required the states to drop claims of damages against tobacco companies, and in exchange, the companies agreed to make annual payments to the participating states.

Rep. Rob Wilkey, D-Scottsville and general counsel for USA Gold cigarette maker Commonwealth Brands of Bowling Green, has said the change would amount to a new tax on companies like Commonwealth that participate in the settlement. Companies that didn't participate in the settlement support the idea.

About 10 states are considering similar proposals, Cave said. If those states followed suit with Kentucky, the 5- to 15-cent estimate could be higher.

Cave asserted that cigarette price increases in Kentucky would be mitigated by tobacco companies' national pricing formulas. But State Sen. Tim Shaughnessy, D-Louisville, questioned that assertion.

"They're going to look at punishing Kentucky," Shaughnessy said during the budget committee meeting.

In an interview, Cave said he doesn't expect cigarette makers would respond by increasing prices steeply.

"They can do that now," he said.

Wilkey disputes that cigarette companies wouldn't pass along a Kentucky fee to their Kentucky customers.

"He expects us to take a Kentucky tax and charge people in Alaska for it," Wilkey said. "It is always the case, generally, that if you have costs imposed on your product by a particular state, they are added to the cost of the product in that particular state."

Cave said he expects that the state would be sued but that he believes the state would win.

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